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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 1992

OR

☐ **TRANSITION REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____.

Commission File Number: 1-8833

BIG O TIRES, INC.
(Exact name of registrant as specified in its charter)

Nevada	87-0392481
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

11755 East Peakview Avenue
Englewood, Colorado 80111
(Address of Principal Executive Offices)

PROCESSED BY
12-12-V
MAY 6 1992

(303) 790-2800
(Registrant's Telephone Number, Including Area Code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

The number of shares of registrant's common stock outstanding on April 28, 1992 was 17,454,376.

The total number of pages is 12.

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AVAILABLE

BIG O TIRES, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 Unaudited	December 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,239,200	$ 1,873,200
Trade accounts receivable, net of allowance for doubtful accounts	9,998,500	9,191,600
Vendor receivables	2,507,200	2,821,100
Other receivables	1,164,500	1,058,300
Current portion of notes receivable:		
Related parties	429,700	478,500
Other	955,400	940,700
Inventories	17,201,900	13,839,000
Other current assets	2,426,100	2,302,900
Total current assets	35,922,500	32,505,300
NOTES RECEIVABLE, net of current portion:		
Due from related parties	501,500	563,700
Other	2,644,500	2,428,100
	3,146,000	2,991,800
PROPERTY, PLANT AND EQUIPMENT	15,980,200	15,704,400
Less accumulated depreciation and amortization	(3,508,000)	(3,138,000)
	12,472,200	12,566,400
INTANGIBLE AND OTHER ASSETS:		
Distribution rights	8,517,400	8,577,800
Agreements not to compete	87,500	166,000
Equity in joint ventures and unconsolidated subsidiaries	1,231,100	1,107,000
Other	1,981,400	2,017,600
	11,817,400	11,868,400
TOTAL ASSETS	$ 63,358,100	$ 59,931,900

-See notes to consolidated financial statements-

BIG O TIRES, INC.
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 1992 Unaudited	December 31, 1991
CURRENT LIABILITIES:		
Accounts payable	$ 11,036,700	$ 4,484,800
Accrued expenses	3,319,700	3,445,900
Warranty reserve	2,504,000	2,354,000
Current portion of long-term debt and capital lease obligations	1,668,100	1,558,300
Total current liabilities	18,528,500	11,844,000
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	10,944,000	14,648,100
DEFERRED GAIN	218,600	227,500
DEFERRED INCOME TAXES	611,700	623,700
EMPLOYEE STOCK OWNERSHIP PLAN OBLIGATIONS	1,679,100	1,656,400
SHAREHOLDERS' EQUITY:		
Common stock	352,600	352,500
Capital contributed in excess of par	19,013,100	19,011,800
Retained earnings	13,815,300	13,350,000
	33,181,000	32,714,300
Less: Employee stock ownership plan obligations	(1,679,100)	(1,656,400)
Treasury stock	(125,700)	(125,700)
	31,376,200	30,932,200
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 63,358,100	$ 59,931,900

-See notes to consolidated financial statements-

BIG O TIRES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended March 31,	
	1992	1991
SALES, net	$ 24,580,100	$ 21,956,300
COST OF SALES	18,889,000	17,021,100
GROSS PROFIT	5,691,100	4,935,200
EXPENSES, net:		
Selling and administrative, net	4,602,600	4,743,500
Interest expense	286,200	462,700
	4,888,800	5,206,200
INCOME (LOSS) BEFORE INCOME TAXES	802,300	(271,000)
PROVISION (BENEFIT) FOR INCOME TAXES:		
Current	385,100	(125,200)
Deferred	(48,100)	(10,300)
	337,000	(135,500)
NET INCOME (LOSS)	$ 465,300	$ (135,500)
EARNINGS (LOSS) PER SHARE	$ .03	$ (.01)
WEIGHTED AVERAGE SHARES OUTSTANDING	17,463,813	17,520,624

-See notes to consolidated financial statements-

BIG O TIRES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 465,300	$ (135,500)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	254,000	273,800
Amortization of intangibles	172,000	158,700
Other	5,900	27,500
Cash flows from changes in working capital	2,123,200	(53,900)
Total adjustments	2,555,100	406,100
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,020,400	270,600
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in notes receivable	(56,000)	--
Payments received on notes receivable	233,000	250,700
Proceeds from sales of property and equipment	--	8,800
Equity investments in affiliates	(64,200)	(10,000)
Purchase of property and equipment	(224,800)	(123,100)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(112,000)	126,400
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt and capital lease obligations	(3,543,800)	(560,900)
Other	1,400	200
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(3,542,400)	(560,700)
NET INCREASE (DECREASE) IN CASH	(634,000)	(163,700)
CASH AT BEGINNING OF PERIOD	1,873,200	1,182,800
CASH AT END OF PERIOD	$ 1,239,200	$ 1,019,100

-See notes to consolidated financial statements-

BIG O TIRES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

	For the three months ended March 31,	
	1992	1991
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 307,800	$ 464,900
Income taxes	298,700	--
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accounts receivable transferred to long-term notes receivable	214,400	112,000
Inventory provided as an equity investment in joint ventures	119,700	--
Treasury stock issued in satisfaction of accrued obligation	--	125,800

-See notes to consolidated financial statements-

BIG O TIRES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 1992 AND 1991
UNAUDITED

Item 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

REFERENCE TO ANNUAL REPORT:

These financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 1991, since certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The interim financial statements reflect all adjustments which are, in the opinion of Management, necessary for a fair presentation of financial position, results of operations, and cash flows as of and for the interim periods presented. Such adjustments are of a normal recurring nature. Operating results for the three months ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

STOCK OPTION PLANS:

On January 1, 1992, the Company granted options for 88,837 shares of the Company's $0.02 par value common stock to certain directors and employees who elected to participate in the Big O Tires, Inc. Director and Employee Stock Option Plan. On January 14, 1992, the Company also granted options for 201,800 shares of the Company's $0.02 par value common stock to certain officers of the Company in connection with the Big O Tires, Inc. Long Term Incentive Plan. As of March 31, 1992, the liability for the options which were granted pursuant to the Big O Tires, Inc. Director and Employee Stock Option Plan was $9,000.

CREDIT FACILITY:

In October, 1991, the Company executed a Loan and Security Agreement with its primary lender that provided a $3,000,000 term loan (of which $1,859,300 was advanced to the Company in November, 1991, and the remaining $1,140,700 was provided in April, 1992), and a revolving line of credit of $12,000,000 which is limited to a portion of eligible collateral and is further reduced by the amount of any outstanding letters of credit issued by the lender on behalf of the Company. The remaining proceeds of $1,140,700 from the term loan were used in April, 1992 to retire the Company's subordinated promissory notes and certain other long term debt.

The agreement also contains various covenants and restrictions (including a restriction which precludes the payment of cash dividends or the return of capital to shareholders) with which the Company was in compliance at March 31, 1992.

ESOP OBLIGATION:

In April, 1991, the Big O Tires, Inc. Employee Stock Ownership Plan ("ESOP") acquired 2,305,038 shares of the Company's $.02 par value common stock from four (4) shareholders at market value which resulted in cash and promissory notes being issued to the four shareholders in exchange for the stock. Funds to meet the ESOP's 1991 and 1992 debt service requirements were contributed by the Company in accordance with its normal operations. In April, 1992, the ESOP paid a total of $481,800 in satisfaction of the 1992 debt service requirements for three (3) of the notes, and is paying monthly installments through October, 1992, to meet the 1992 debt service requirements for the remaining

note. Payments on this note were current as of April 28, 1992. Funds to meet future debt service requirements for these notes are anticipated to be obtained from future contributions by the Company to the ESOP in accordance with its normal operations.

JOINT VENTURES:

During 1992, the Company and one of its subsidiaries, Big O Retail Enterprises, Inc., entered into joint venture agreements with two of its franchisees to operate retail stores in California and Wyoming. The Company contributed inventories in the amount of $55,000 in exchange for a 50% interest in each joint venture.

EARNINGS PER SHARE:

Earnings per share is computed using the weighted-average number of outstanding shares during each period presented. Inclusion of common stock equivalents did not have a material effect on the computation.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

FINANCIAL CONDITION:

Working Capital

At March 31, 1992, the Company had $17,394,000 in working capital (defined as current assets less current liabilities), which represented a net decrease of $3,267,300 from December 31, 1991. Working capital was used for payment of long term debt ($3,543,800), capital expenditures ($224,800), and additional investments in affiliates (primarily a real estate joint venture) of $183,900. The primary sources of working capital were payments received on notes receivable of $233,000, and $897,000 generated by operations (including $426,000 through depreciation and amortization).

The Company's trade receivables at March 31, 1992, increased by $806,900 as compared to December 31, 1991. The increase in trade receivables resulted from the effect of new store openings, higher sales volumes during the first quarter, and slower receivables collections which normally occur during the first two months of each year. Trade receivables at March 31, 1992, decreased by $396,500 as compared to March 31, 1991, which was primarily attributable to improved collections of the account balances, and the transfer of accounts receivable to long-term notes receivable of $214,400 during the first quarter of 1992. Management believes that the establishment of credit limits for all franchisees and the implementation of a new computerized credit approval process in April, 1992, will continue to improve the collection of accounts receivable and reduce the Company's credit risk.

Inventories at March 31, 1992, increased by $3,362,900 as compared to the inventory balances at December 31, 1991. The increase in inventory during the first quarter, 1992, represents a normal increase in stocking levels to provide an adequate supply of products to meet the increasing sales volumes which normally occur during the second quarter of each year. However, the inventory balance at March 31, 1992, does represent a decrease of $1,667,500 as compared to March 31, 1991, which was primarily attributable to a reduction of inventory levels for the ProComp wheel line of $1,669,000. This reduction includes a return of $1,100,000 of ProComp wheels to the supplier for which the Company accepted trade credit in December, 1991.

Accounts payable at March 31, 1992, increased $6,551,900 as compared to the balance at December 31, 1991, and have increased by $3,304,200 as compared to March 31, 1991. The Company's accounts payable were significantly reduced at December 31, 1991, due to the use of "anticipation discounts"

offered by certain suppliers. These discounts result from the early payment of invoices and are in addition to normal cash discounts. In January, 1992, these suppliers reduced their anticipation discounts to all of their customers. As a result of these reductions, the Company's incremental interest expense would exceed any benefit from anticipating these invoices. Therefore, the accounts payable balance at March 31, 1992, reflects a normal increase in vendor account balances resulting from the purchase of additional inventory during the first quarter of 1992.

On October 15, 1991, the Company completed its refinancing arrangements with a new lender which provided a revolving line of credit of $12,000,000, and a term loan which had a balance of $3,000,000 as of April 3, 1992. The decrease of $6,495,300 in the current portion of long-term debt at March 31, 1992, as compared to March 31, 1991, reflects the reclassification of the Company's primary credit facility from current to long-term as a result of the completion of these refinancing arrangements.

Approximately $1,859,000 of the term financing was used in November, 1991, to prepay the certificates of participation that previously financed the construction of the Vacaville Regional Sales and Service Center. In April, 1992, the remaining proceeds of the term financing (approximately $1,141,000) were used to pay the remaining principal and accrued interest of the Company's existing subordinated promissory notes and certain other senior notes which had higher interest rates. These notes had varying maturity dates through June, 1994 and, if they had not been prepaid, would have required cash outflows of $670,100 in 1992, $541,400 in 1993, and $37,300 in 1994.

The reduction of long-term debt and capital lease obligations at March 31, 1992, in the amount of $3,704,100 as compared to December 31, 1991, resulted primarily from net payments on the Company's revolving line of credit ($3,278,800), principal payments of other long-term debt and capitalized lease obligations ($265,000), and an increase in the current maturities of long-term debt ($109,800).

The Company is continuing to evaluate the need for expanded facilities to meet anticipated retail store growth in the Southeast Region, and has optioned eight (8) acres of property in southern Indiana. The Company anticipates building a $1.7 million facility which will require construction financing in 1992 and permanent financing in 1993.

In an effort to increase retail store expansion, the Company organized three (3) retail store joint ventures which opened two (2) retail stores in 1991 and has thus far opened three (3) retail stores in 1992. Under this joint venture concept, the Company contributes inventories in the amount of $55,000 in exchange for a 50% interest in each joint venture. The Company anticipates opening as many as three (3) additional stores in 1992 which may require at least $165,000 for its equity contribution to these joint ventures. Depending on the success of this program, the Company may be required to provide similar (or increased) amounts of funding for the program in future years. In addition, the Company is also attempting to secure debt financing ranging from $80,000 - $120,000 per joint venture retail store, which will be a joint and severable obligation of the respective joint ventures.

The joint venture partner for one of the retail stores which was opened in 1991 has indicated that he wishes to terminate the joint venture operation of that store. Accordingly, the Company has tentatively agreed to assume complete ownership of the store (which is located in Mesa, Arizona), and will operate it both as a Company-owned retail store and as a new franchisee training center. The Company will be obtaining lease financing for the equipment located in the retail store and has also provided $100,000 of funding for the store's inventory and working capital requirements.

Additional working capital needs which may be required in 1992 and 1993 include prepayments required under the Company's term loan to its primary lender, financing for continued real estate development activities, financing for additional retail store joint venture activities, and additional accounts receivable and inventory financing for new retail stores. The additional working capital

requirements for inventory and accounts receivable associated with the opening of new retail stores will substantially be met by the revolving line of credit provided by General Tire, Inc., but additional financing will be required from the Company's revolving line of credit with its primary lender and through antici, .ted cash flow from operations in order to satisfy all of these needs.

Inflation and Price Changes

The Company has been informed of projected price increases from its suppliers of 3 - 5% on tires and other ancillary products which are scheduled to become effective on May 1, 1992. The effect of inflation is not material in relation to total sales for the first quarter, 1992.

RESULTS OF OPERATIONS:

Revenues

Net sales for the first quarter of 1992 increased $2,623,800 as compared to the corresponding period for 1991. Part of this significant increase is attributable to reduced sales during the first quarter of 1991 because of the turmoil related to the Persian Gulf situation. However, improved pricing and increased product sales also contributed to this 1992 sales increase, as the Company recorded its highest first quarter sales volume. The sale of Big O brand units increased by approximately 53,300 units (an increase of 23.3%) during the first three months of 1992, and the average selling price increased by approximately $1.00 per unit as compared to the first quarter of 1991. The increase in sales was also attributable to additional sales to new franchisee owned stores of $1,391,000, and an increase in sales to its existing franchisees of $1,439,000. The Company also experienced sales increases of $463,000 from new Company-owned stores, sales to Canadian retail stores of $379,000, and an increase in royalty revenues of $272,000 which resulted from an increased level of retail sales by the Company's domestic Big O Tire dealers. However, these increases were partially offset by a decrease in sales of $433,000 which resulted from the closing of franchisee and Company-owned stores which had been operating during the first quarter of the prior year, and a decrease in revenues of $644,000 which resulted from the sale of Company-owned retail stores that were in operation during the first quarter, 1991.

Gross Profit

Gross profit for the first quarter, 1992, increased by $755,900 as compared to the first quarter, 1991, and the Company's gross margin was 23.2% for the first quarter, 1992, which represented a .67% increase as compared to the first quarter of 1991. An increase in gross profit of $590,000 was attributable to the higher sales volumes which were recorded in the first quarter of 1992, with additional gross profit of $164,700 being attributable to the increase in the gross margin. The Company also realized additional gross profit of $155,000 from an increase in price change income for the first quarter, 1992, as compared to the prior year, but this additional gross profit was offset by an increase in the Company's warranty expense of $169,000 during this same period.

Expenses

The Company's selling and administrative expenses ("S&A Expense") decreased by $140,900 during the first quarter, 1992 as compared to the same period for 1991. This decrease in S&A Expense was primarily attributable to a net reduction of $343,000 in expenses associated with the operation of Company-owned retail stores. This expense reduction resulted from the sale or closure of Company-owned retail stores which operated during the first quarter of 1991. This decrease in expense was partially offset by an increase in payroll costs of $115,500, additional promotional expense of $50,200 and additional bad debt expense of $43,600.

Interest expense decreased by $176,500 during the first quarter, 1992, as compared to the prior year, primarily due to reduced borrowing which resulted from lower working capital needs, and an overall reduction in interest rates. The Company expects interest expense to increase during the second and third quarters of 1992 (as compared to the first quarter) due to increased borrowings to finance growth in its operations (primarily receivables and inventories); however, interest costs are also a direct function of market rates, particularly with respect to the Company's variable rate loans, and any increase (or decrease) in the prime interest rate will directly affect the Company's interest expense.

PART II

OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

a. Exhibits.

None.

b. Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 28, 1992

BIG O TIRES, INC.

By: _____
John B. Adams
Executive Vice President
and Principal Financial
Officer

By: _____
Robert L. Puckett
Principal Accounting
Officer